

Auditing Procedures Report

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	Kingsford Housing Commission	County	DICKINSON	Type	OTHER	MuniCode	
Opinion Date	9/19/07	Audit Submitted	9/19/07	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="NA"/>
General Fund Expenditure:	<input type="text" value="NA"/>
Major Fund Deficit Amount:	<input type="text" value="NA"/>

General Fund Balance:	<input type="text" value="NA"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="NA"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Shane M.	Last Name	Ellison	Ten Digit License Number	1101025879
CPA Street Address	201 E. Hughitt Street	City	Iron Mountain	State	MI
				Zip Code	49801
CPA Firm Name	Anderson, Tackman & Co., P.C.	Unit's Street Address	201 E. Hughitt Street	City	Iron Mountain
				Zip Code	49801

KINGSFORD HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended March 31, 2007

KINGSFORD HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-8
Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Statement of Revenues, Expenses, and Change in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-20
Supplemental Information:	
Financial Data Schedule	22-25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26-27





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Kingsford Housing Commission
Kingsford, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Kingsford Housing Commission as of and for the year ended March 31, 2007 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kingsford Housing Commission as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007 on our consideration of the Kingsford Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kingsford Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 19, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Kingsford Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$1,076,864 for the year ended March 31, 2007 compared to \$1,196,469 for the year ended March 31, 2006.
- The Commission's operating revenues totaled \$296,230 for the year ended March 31, 2007 and \$279,008 for the year ended March 31, 2006, while operating expenses totaled \$505,498 for the year ended March 31, 2007 and \$500,275 for the year ended March 31, 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended March 31, 2007 decreased \$(119,605) from the year ended March 31, 2006.

Table 1

NET ASSETS

	March 31,	
	2007	2006
Assets		
Current assets	\$ 353,132	\$ 370,345
Capital assets (net)	<u>798,226</u>	<u>901,316</u>
Total assets	<u>1,151,358</u>	<u>1,271,661</u>
Liabilities		
Current liabilities	50,219	51,575
Noncurrent liabilities	<u>24,275</u>	<u>23,617</u>
Total liabilities	<u>74,494</u>	<u>75,192</u>
Net Assets		
Invested in capital assets, net of related debt	798,226	901,316
Unrestricted	<u>278,638</u>	<u>295,153</u>
Net Assets	<u>\$ 1,076,864</u>	<u>\$ 1,196,469</u>

Net assets of the Commission stood at \$1,076,864 for the year ended March 31, 2007 compared to \$1,196,469 for the year ended March 31, 2006. Unrestricted net business assets were \$278,638 for the year ended March 31, 2007 compared to \$295,153 for the year ended March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The decrease in current assets was largely due to a \$22,672 decrease in cash, a \$4,131 net decrease in accounts receivable, and a \$7,764 increase in investments. The decrease in current liabilities was largely due to a \$2,117 decrease in accounts payable.

CHANGE IN NET ASSETS

	Year Ended March 31,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 155,066	\$ 176,647
Program grants and subsidies	200,240	189,752
General revenues:		
Other revenues	18,577	4,632
Unrestricted investment earnings	<u>12,010</u>	<u>9,066</u>
 Total revenues	 385,893	 380,097
 Program Expenses:		
Operating expenses	<u>505,498</u>	<u>500,275</u>
 Change in net assets	 (119,605)	 (120,178)
 Net assets - beginning of period	 <u>1,196,469</u>	 <u>1,316,647</u>
 Net assets - end of period	 <u>\$ 1,076,864</u>	 <u>\$ 1,196,469</u>

BUSINESS - TYPE ACTIVITIES

Revenues for the Commission totaled \$385,893 for the year ended March 31, 2007 compared to \$380,097 for the year ended March 31, 2006. The Commission's average unit months leased on a monthly basis had increased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to a \$1,834 increase in administrative expenses, a \$5,404 decrease in utilities, a \$16,899 increase in maintenance expenses, and a \$4,111 decrease in extraordinary maintenance.

CAPTIAL ASSETS

Capital Assets

The Commission had \$4,122,272 invested in a variety of capital assets including land, equipment and buildings for the year ended March 31, 2007 compared to \$4,029,327 for the year ended March 31, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	March 31,	
	2007	2006
Land and improvements	\$ 329,910	\$ 329,910
Building and improvements	3,665,431	3,570,512
Equipment	126,208	126,655
Construction in progress	723	2,250
Total	4,122,272	4,029,327
Less accumulated depreciation	(3,324,046)	(3,128,011)
NET CAPITAL ASSETS	\$ 798,226	\$ 901,316

The Commission invested \$93,392 in capital assets during the year ended March 31, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Cynthia Carlson, at 1025 Woodward Avenue, Kingsford, Michigan 49802, or call 906-774-2771.

KINGSFORD HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

March 31, 2007

CURRENT ASSETS:	
Cash and equivalents	\$ 26,923
Accounts receivable	2,890
Investments	310,733
Prepaid expenses	<u>12,586</u>
TOTAL CURRENT ASSETS	<u>353,132</u>
NONCURRENT ASSETS:	
Capital assets	4,122,272
Less accumulated depreciation	<u>(3,324,046)</u>
NET CAPITAL ASSETS	<u>798,226</u>
TOTAL ASSETS	<u>1,151,358</u>
CURRENT LIABILITIES:	
Accounts payable	7,580
Accrued liabilities	<u>42,639</u>
TOTAL CURRENT LIABILITIES	<u>50,219</u>
NONCURRENT LIABILITIES	<u>24,275</u>
TOTAL LIABILITIES	<u>74,494</u>
NET ASSETS:	
Investment in capital assets, net of related debt	798,226
Unrestricted net assets	<u>278,638</u>
NET ASSETS	<u>\$ 1,076,864</u>

The accompanying notes to financial statements are an integral part of this statement.



KINGSFORD HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2007

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>FUNCTIONS/PROGRAMS</u>				Business-Type Activities
Public Housing	\$ 505,498	\$ 155,066	\$ 122,587	\$ 77,653
				\$ (150,192)
BUSINESS-TYPE ACTIVITIES:				
General revenues:				
Unrestricted investment earnings				12,010
Other				18,577
Total general revenues				30,587
Change in net assets				(119,605)
NET ASSETS, beginning of year				1,196,469
NET ASSETS, end of year				\$ 1,076,864

The accompanying notes to the financial statements are an integral part of this statement.

KINGSFORD HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended March 31, 2007

OPERATING REVENUES:

Tenant revenue	\$ 155,066
Program grants-subsidies	122,587
Other income	<u>18,577</u>

TOTAL OPERATING REVENUES 296,230

OPERATING EXPENSES:

Administration	94,354
Tenant services	666
Utilities	41,720
Maintenance	131,528
General	30,648
Extraordinary maintenance	10,101
Depreciation	<u>196,481</u>

TOTAL OPERATING EXPENSES 505,498

OPERATING (LOSS) (209,268)

NONOPERATING REVENUES AND (EXPENSES):

Capital grants	77,653
Interest income	<u>12,010</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES) 89,663

CHANGE IN NET ASSETS (119,605)

NET ASSETS, BEGINNING OF YEAR 1,196,469

NET ASSETS, END OF YEAR \$ 1,076,864

& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

KINGSFORD HOUSING COMMISSION

**STATEMENT OF CASH FLOWS
Proprietary Fund**

For the Year Ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 159,197
Cash received from grants and subsidies	123,464
Cash payments to suppliers for goods and services	(133,754)
Cash payments for wages and related benefits	(166,679)
Cash payments for payment in lieu of taxes	(11,287)
Other receipts	<u>18,472</u>

NET CASH (USED) BY OPERATING ACTIVITIES (10,587)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	77,653
Acquisition of capital assets	<u>(93,392)</u>

NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (15,739)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(7,764)
Investment income	<u>11,418</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES 3,654

NET (DECREASE) IN CASH AND EQUIVALENTS (22,672)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 49,595

CASH AND EQUIVALENTS, END OF YEAR \$ 26,923

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (209,268)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	196,481
Changes in assets and liabilities:	
Decrease (Increase) in receivables	4,903
Decrease (Increase) in prepaid expenses	(2,005)
Increase (Decrease) in accounts payable	(2,117)
Increase (Decrease) in accrued liabilities	<u>1,419</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (10,587)

The accompanying notes to financial statements are an integral part of this statement.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Kingsford Housing Commission (Commission) was formed by the City of Kingsford, Michigan under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission manages 69 units of low rent public housing units, of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there were not component units of the Kingsford Housing Commission, but the Commission is a component unit of the City of Kingsford, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 75
Checking accounts	2,114
Money market account	<u>24,734</u>
 TOTAL	 <u>\$ 26,923</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for deposit custodial credit risk. As of March 31, 2007, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$310,733</u>	<u>\$259,243</u>	<u>\$51,490</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of March 31, 2007, the Commission's investments were not exposed to credit risk, due to them being fully insured.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Northern Michigan Bank, Kingsford, MI	\$ 72,458
Republic Bank, Iron Mountain, MI	47,872
FNB of Niagara, Niagara, WI	80,263
River Valley State Bank, Iron Mountain, MI	50,000
FNB of Norway, Norway, MI	<u>60,140</u>
TOTAL	<u>\$310,734</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets for the year ended March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land and improvements	\$ 329,910	\$ -	\$ -	\$ 329,910
Building and improvements	3,570,512	94,919	-	3,665,431
Equipment	126,655	-	(447)	126,208
Construction in progress	<u>2,250</u>	<u>77,653</u>	<u>(79,180)</u>	<u>723</u>
	4,029,327	<u>\$ 172,572</u>	<u>\$ (79,627)</u>	4,122,272
Accumulated depreciation	<u>(3,128,011)</u>	<u>\$ (196,481)</u>	<u>\$ 446</u>	<u>(3,324,046)</u>
Net capital assets	<u>\$ 901,316</u>			<u>\$ 798,226</u>

Depreciation expense for the year was \$196,481.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2007 totaled \$385,893 of which \$200,240 or 51.9% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The Commission participates in a pension plan as part of the City of Kingsford. Plan information is disclosed in the City of Kingsford's annual financial statements.

On December 1, 1978 the City adopted employees' Pension Plan B-2 of the Municipal Employees' Retirement System for all eligible employees and elected participation pursuant to Member Contribution Program III, Benefits E and E-2 with F55 waiver. The plan is a multiple-employer pension plan. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service. The F55 waiver allows a full pension to be paid to retirees less than 60 years old if they have attained the age of 55 and have 15 or more years of credited service. The plan has now been changed to Plan B-3.

KINGSFORD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE G - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (Continued)

Three-Year Schedule of Funding Progress

Actuarial Valuation Date	Accrued Actuarial Value of Assets (a)	Actuarial Liability- (AAL) Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/03	3,599,761	3,880,429	(280,668)	92.8%	810,886	34.6%
12/31/04	3,797,453	4,286,323	(488,870)	88.6%	877,801	55.7%
12/31/05	3,991,726	4,470,841	(479,115)	89.3%	830,263	57.7%

**SUPPLEMENTAL
INFORMATION**

KINGSFORD HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 26,923	\$ -	\$ 26,923
100	Total cash	26,923	-	26,923
Accounts and notes receivables:				
122	Accounts receivable- HUD Other Projects	-	723	723
125	Accounts receivable-miscellaneous	156	-	156
126	Accounts receivable- tenants	865	-	865
126.1	Allowance for doubtful accounts - tenants	-	-	-
129	Accrued interest receivable	1,146	-	1,146
120	Total receivables, net of allowances for doubtful accounts	2,167	723	2,890
Other current assets:				
131	Investments	310,733	-	310,733
142	Prepaid expenses	12,586	-	12,586
144	Interprogram due from	723	-	723
150	TOTAL CURRENT ASSETS	353,132	723	353,855
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	24,663	-	24,663
162	Buildings	3,586,252	79,180	3,665,432
163	Furniture, equipment & machinery - dwellings	57,618	-	57,618
164	Furniture, equipment & machinery - administration	68,590	-	68,590
165	Leasehold improvements	305,246	-	305,246
166	Accumulated depreciation	(3,322,020)	(2,026)	(3,324,046)
167	Construction in progress	-	723	723
160	Total fixed assets, net of accumulated depreciation	720,349	77,877	798,226
180	TOTAL NONCURRENT ASSETS	720,349	77,877	798,226
190	TOTAL ASSETS	\$ 1,073,481	\$ 78,600	\$ 1,152,081

See accompanying notes to financial statements.

KINGSFORD HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 7,580	\$ -	\$ 7,580
321	Accrued wages / payroll taxes payable	6,604	-	6,604
322	Accrued compensated absences - current portion	6,311	-	6,311
333	Accounts payable - other government	10,966	-	10,966
341	Tenant security deposits	15,622	-	15,622
342	Deferred revenues	3,136	-	3,136
347	Interprogram due from	-	723	723
310	TOTAL CURRENT LIABILITIES	50,219	723	50,942
354	Accrued compensated absences - non current	24,275	-	24,275
350	TOTAL NONCURRENT LIABILITIES	24,275	-	24,275
300	TOTAL LIABILITIES	74,494	723	75,217
<u>NET ASSETS</u>				
508.1	Investment in capital assets, net of related debt	720,349	77,877	798,226
512.1	Unrestricted net assets	278,638	-	278,638
513	TOTAL NET ASSETS	998,987	77,877	1,076,864
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,073,481	\$ 78,600	\$ 1,152,081

See accompanying notes to financial statements.

KINGSFORD HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>REVENUES</u>				
703	Net tenant rental revenue	\$ 152,679	\$ -	\$ 152,679
704	Tenant revenue - other	2,387	-	2,387
705	Total tenant revenue	155,066	-	155,066
706	HUD PHA grants	113,428	9,159	122,587
706.1	Capital grants	-	77,653	77,653
711	Investment income - unrestricted	12,010	-	12,010
715	Other revenue	18,577	-	18,577
700	TOTAL REVENUE	299,081	86,812	385,893
<u>EXPENSES</u>				
Administrative:				
911	Administrative salaries	48,092	-	48,092
912	Auditing fees	2,400	-	2,400
914	Compensated absences	1,613	-	1,613
915	Employee benefit contributions- administrative	26,582	-	26,582
916	Other operating- administrative	14,947	720	15,667
	Total Administrative	93,634	720	94,354
Tenant services:				
924	Tenant services - other	666	-	666
Utilities:				
931	Water	8,517	-	8,517
932	Electricity	18,034	-	18,034
933	Gas	15,169	-	15,169
	Total Utilities	41,720	-	41,720
Maintenance:				
941	Ordinary maintenance and operations - labor	62,507	-	62,507
942	Ordinary maintenance and operations - materials & other	10,653	-	10,653
943	Ordinary maintenance and operations - contract costs	20,459	8,439	28,898
945	Employee benefit contributions- ordinary maintenance	29,470	-	29,470
	Total Maintenance	123,089	8,439	131,528

See accompanying notes to financial statements.

KINGSFORD HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
General expenses:				
961	Insurance premiums	15,345	-	15,345
963	Payments in lieu of taxes	10,966	-	10,966
964	Bad debts - tenant rents	4,337	-	4,337
	Total General Expenses	30,648	-	30,648
969	TOTAL OPERATING EXPENSES	289,757	9,159	298,916
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	9,324	77,653	86,977
971	Extraordinary maintenance	10,101	-	10,101
974	Depreciation expense	194,455	2,026	196,481
900	TOTAL EXPENSES	494,313	11,185	505,498
Other financing sources (uses)				
1010	Total other financing sources (uses)	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (195,232)	\$ 75,627	\$ (119,605)
MEMO account information				
1103	Beginning equity	\$ 1,094,663	\$ 101,806	\$ 1,196,469
1104	Prior Period Adjustments, Equity Transfers	\$ 99,556	\$ (99,556)	\$ -
1120	Unit months available	828	-	828
1121	Number of unit months leased	808	-	808

See accompanying notes to financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Kingsford Housing Commission
Kingsford, Michigan

We have audited the financial statements of Kingsford Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kingsford Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kingsford Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kingsford Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kingsford Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 19, 2007

CERTIFIED PUBLIC ACCOUNTANTS